

Nestor A Espenilla, Jr: Sticktoitiveness

Speech by Mr Nestor A Espenilla, Jr, Governor of Bangko Sentral ng Pilipinas (BSP, the central bank of the Philippines), at the Freshmen Orientation Program and Launching of the University of Philippines BGC Graduate Business Program, Bonifacio Global City, 4 September 2017.

* * *

Dr. Ben Paul B. Gutierrez, Dean, Cesar E. A. Virata School of Business, University of the Philippines, faculty, staff, and incoming freshmen of the Master of Business Administration and Master of Science in Finance programs, ladies and gentlemen, good evening.

I understand that eighty (80) new MBA and MS Finance students were admitted to UP-BGC. I am delighted to address this audience. It is one full of promise and potential. Yours is the first batch to learn in these new, world-class halls! What an honor for you!

Nostalgia

Addressing you today, I am reminded of the thirty-seven (37) years that separate the time when I myself was a freshman of the UP-MBA program. It made me think of my student number (I think, I will keep this a secret). It made me nostalgic for UP Diliman (for fishballs in front of Vinzon's Hall) and mainly, for how the College of Business Administration building stood proudly (well, still stands) in the center of campus, opposite Quezon Hall.

It was the most modern building in the academic oval (at least in my time) with an architecture markedly different from that of Palma, Melchor, and Malcolm Halls.

Compare that to where we are now in a state-of-the art building in the heart of the Bonifacio Global City. The imagery of the two structures juxtaposed in my mind is enough symbolism for how fast things have changed (and improved!) in that span of time.

Change

In the last two to three decades, the world has become a very different place transformed by digital revolution and technological advances in almost every field and industry.

Students like you have the advantage of data retrieval in real time! Your connections are wireless, with access points in classrooms, hallways, in the library almost everywhere. You read, communicate, research and are entertained on iPads, iPhones, Androids and laptops these are developments we never would have imagined as we strolled by the sunken garden decades ago! Simple lang kami noon. To run regressions, we punched cards and dashed to the UP Computer Center. We had to come back later for the results print-out which were in outsize continuous forms at least an inch thick.

Yes, change is inevitable. But as you begin your journey as graduate students (especially as many of you here are also working students) let me share with you a timeless value that ensures success. Grit. Sticktoitiveness. – yes, this is a real word.

Secret formula for success

Grit, discipline and diligence are requirements for each of you to successfully hurdle every exam, presentation, case discussion, thesis defense and requirement that you need to earn your MBAs and Masters of Science in Finance. Grit is needed to face life's challenges. Grit – mental toughness –will set you apart.

While the truth of this is borne out of my personal experience, the expression of this idea is not new. Many studies (and I understand, facebook posts) convey that neither intelligence nor talent

ensures success. Rather, it is perseverance that allows one to fulfill goals and make dreams come true.

In my long career at the Bangko Sentral ng Pilipinas (thirty-six years and counting!) as a young bank officer and working student shuttling between the CB Campus in Malate to Diliman, Quezon City as Deputy Governor of the Supervision and Examination Sector for the last twelve (12) years to this day as Governor of the BSP, sticktoitiveness has made all the difference in my career.

Why? The reason is simple. There are good days and there are bad days. While we are presumably talented and intelligent uniformly each day (at least we hope to be!) – the feeling of wanting to persevere and stay-on, changes. It changes with our moods, and is affected by situations and circumstances. This is why sticktoitiveness commitment is the true formula for success.

When I first joined the Central Bank in 1981, I was idealistic. My grit was tested all at once! During the turbulent 80's, there was political unrest. A debt crisis was unfolding and it forced the country to declare a moratorium on the payment of its foreign debt by 1983. Dollars had to be rationed. Central Bank interest rates shot up to around 40% per annum. Compare that to 3% today. The economy was in recession. In 1986, Senator Benigno Aquino, Jr. was assassinated. What a challenging time for the central bank and a young central banker like me! I certainly had days when I wondered if I should continue. I am glad I did.

Grit in central banking

In the central bank, grit is always required. Grit is what brings about constancy, continuity, credibility and stability to the financial system.

Perseverance is needed to face macroeconomic challenges on both global and domestic fronts. Right now, it is necessary as we face the growing uncertainty of economic policies as more central banks in major advanced economies prepare to enter a tightening cycle. The US Federal Reserve (US Fed) hiked the federal funds rate in June (the second time this year) and there is an expected further rise in US interest rates. The European Central Bank (ECB) is also talking about tapering in Quantitative Easing (QE) Policy in 2018.

Vigilance is needed as we remain resolute in our mandates of price stability, and banking and financial stability in the face of global political and economic uncertainties and given domestic challenges such as the ongoing Marawi conflict.

Grit translates to us preparing well, committing to the implementation of difficult but necessary and bold reforms. Grit is synonymous to the perseverance needed to cushion the economy from any volatility.

Even as we enjoy our current economic sweet spot, we still need to be tenacious, dedicated to the fundamentals of hard work and proactive reform. The same should hold true for each of you here as you begin your graduate studies and face your future.

Economic sweet spot

And may I say, even as I began with earnest advice of vigilance, that the future looks good. Present numbers indicate it to be so.

As Governor of the BSP, I am committed to ensuring continuity in the policies that resulted in this favorable economic environment (with room for improvements through strategic financial sector reforms).

I am glad to share that real GDP rose by 6.4 percent in the first half of this year with stronger economic activity expected in the second half. This has been the trend for the last 74

quarters. This shows overall economic vitality and resilience.

Inflation also remains manageable. While headline inflation rose to 2.8 percent in July (from 2.7 percent in June), the year-to-date average inflation rate of 3.1 percent is well within Government's target range of 2-4 percent for 2017, and should remain solidly on-target over the 2018–19 policy horizon.

There is ample domestic liquidity. Bank lending is strong but prudent, and funds continue to flow into productive sectors. The banking sector is in sound condition as reforms put in place by the BSP over the last decade, along with banks' implementation of better corporate governance and risk management have brought about big improvements in bank asset quality, business operations, and strong capitalization.

Time of great advancement

We are in time of great advancement. Innovation is at the forefront of economic development. And you are the very generation that knows how to leverage on this! In one click, you obtain information that we used to find slowly and tediously in volumes of dusty encyclopedias. Almost in an instant, you send and receive messages that, in the past, took us weeks to give and get. These innovations have produced great strides in communication, finance and commerce.

We are in tune with the times. I am also eager to share that the BSP is creating a regulatory environment to encourage innovation and maximize prudent technology use. An ecosystem is being created so that the unreached are granted financial services through alternative providers. BSP is piloting its own "regtech" solutions to address its operational pain points. Our goal is that through technological solutions — financial consumers and investors would be able to make more informed business decisions and choose from a longer, fresher and more innovative menu of available financial products and services. We see the digitalization of finance as essential to achieve significant inroads against financial exclusion and payments inefficiency.

We adopted the National Retail Payments System (NRPS) project, a flagship program for digital finance. Its purpose is to establish a safe, efficient and reliable means to transfer money value digitally. Envisioned is an effective and interoperable interface of various electronic payment channels. The NRPS will expand the reach of financial services and will promote efficiency, transparency and development of business models improving economic competitiveness. With the NRPS, we hope to transition from a cash-heavy economy, where 99 percent of retail transactions by volume are done in cash, to a cash-lite economy, with transactions becoming mostly electronic.

Collaboration and cooperation

In making all these happen, the BSP counts on its partners and stakeholders in the private sector, in the government, and in the academe. We understand that we cannot achieve our goals alone.

Especially as we create an enabling environment for Fintech, we have awareness there are several industry regulators with oversight over multiple players. There are multi-layered relationships. We are mindful to guard against policy inconsistency, conflicts and gaps. Otherwise, there is a danger of regulatory arbitrage or a failure of oversight.

We know that the best way to prevent this is through constant engagement with Fintech innovators, financial sector players, regulatory agencies and experts. Collaboration and cooperation are required for us to have a deeper understanding of risks inculcate appreciation for financial inclusion goals and to communicate market conduct expectations.

Indeed, collaboration and cooperation is very important. These are values you too – dear grad

students – can apply. You will find that your professors and your classmates will contribute to your success and will multiply the possibilities of your hard work. These connections are very important not just as you pursue your studies. You will find these indispensable in your personal lives as well. Relationships, discussion, the expertise and guidance of others will matter and add value.

Even Harvard studies confirm that true success and happiness is not determined by material possessions, but by friendships, good communication and camaraderie. Even in this, sticktoitiveness is also needed.

In closing

As I end, allow me to remind you to consider yourselves blessed to be part of this elite group of graduate students. Congratulations to all of you. Embrace this challenge, persevere in it!

I realize that I shared a lot of thoughts and information with you. But I hope, if anything that you remember the main idea I shared this evening. Take the word to heart sticktoitiveness. I promise, it will help you.

I wish you all the best and godspeed.